

# Communities in Action

## Organizational Capacity and Credibility



# Creating a 501(c)(3)



# Steve Jeanetta Web Site

- Resource Guide
- Video
- Incorporation forms
- Keeping organization tax exempt

\*One must gain tax exempt status with **both** the IRS and the Secretary of State. Securing one does not automatically include the other.

# Public Disenchantment with Nonprofits

- The public views the charity system as disorganized, under-regulated, and tainted by scandal.
- Only 1 in 10 believes charities use donated funds honestly and ethically.
- The sources of these reactions is abuse of trust, lack of accountability, and lack of concrete results.

Sharon Hoffman, "Charity: A Matter of Trust," MSNBC, 11/20/06.

# Strong Organizations with Effective Programs

- Well-articulated mission, vision and values
- Strong board of directors and management team
- Strong results from outcomes-based evaluation
- Support and testimony of well-informed, knowledgeable funders

# Effective Organizations (cont.)

- Commitment to performing on-going outcomes-based assessment or a clear logic model incorporating data collection and analysis to validate short- or long-term outcomes
- Financial strength demonstrated through historical records of stable, growing revenues, diversity of income sources, strong cash reserves, long-term grants, and/or strong involvement by board members.

# Creating a Credible Board



# Risks Posed by Grant Seekers

- “Sit on the money”
- Don’t finish a project
- Don’t finish a project in the promised time
- Misappropriate funds
- Don’t produce any benefits
- Poor management
- No accountability
- Spending on unallowable costs
- No long-term increase in capacity
- Don’t want to move to evidence-based or best practices
- No sustainability
- Don’t collaborate or network
- Want to sink money in current staff and new equipment
- No long-term growth toward stages of maturity
- Weak boards
- Conflicts of interest on boards (now prohibited by Sarbanes-Oxley, 2002)
- Within 5 years all have disappeared
- Weak evaluation of projects
- No Return on Investment



# Conflict of Interest

- Among Congress and regulators, concern over conflicts of interest are increasing
- The APPEARANCE of bias, wrong-doing, bad business practice, unethical, unprofessional, or illegal behavior.
- Conflicts of Interest cause organizations to lose credibility with the public and funders.
- The Pension Protection Act of 2006 requires that the backgrounds of financial advisors managing donor-advised funds undergo a background review to rule out conflicts of interest.
- When citizens are elected or appointed to political office, their investments are put in a Blind Trust to avoid conflicts of interest. They are never informed what is happening with those investments while they are in office.

# New Competitive Dynamics Reflecting ROI

Capacity-Building

to

Reduce Risk



# Skill Sets on Boards

- Information Technology
- Marketing
- Human Resources
- Financial Planning/Oversight\*
- Communication/Information/IT
- Research
- Team-orientation and team-building
- Problem-solving

# Board Skill Sets (cont.)

- Leadership/facilitation
- Community veteran
- Policy orientation
- Evaluation/analysis
- Law
- Community Development\*
- Property rights\*
- Political advocacy\* (within IRS guidelines)

\*Suggested in article by Suzanne Perry, *Chronicle of Philanthropy* (online), 4/30/07.

# Situations That Can Rob Nonprofit Boards of Credibility Among Funders

- A preponderance of family members on a board.
- Executive director/CEOs as head of a board. Traditionally, this person is a creature of the board, which hires and fires the executive director/CEO.
- A pastor as a head of the 501 (c) (3) board.
- Executive Directors/CEOs, and Pastors may start out heading a board, but at a future growth point, they need to shift lead of the board to someone else.

# Community-based Church Boards Are Often Family-oriented

- Enlarge the board with nonfamily members who may vote only on programmatic as opposed to doctrinal issues
- Create an advisory board of people with skill sets not represented on the board – “Friends of Such-and-such Church”

# Situations to Avoid

- Avoid board members who will want to do business with your organization. Adding them will create a conflict of interest.
- Friends and acquaintances should be chosen for the skills they bring to the board, not for their relationship to you.

# 2004 Senate Finance Committee Suggestions

- Nonprofit boards should total no more than 15 people.
- At least 1/5 of those should be independent enough of the charity so that they can make unbiased judgments.
- Board chairmen, treasurers, and foundation trustees should not be paid.
- If trustees are paid, a cap should be levied on what they can earn.



# Nota Bene

- In principle, philanthropies will not provide funds to create or add to the value of assets held in an individual's name or too closely identified with a family. They will do so if the assets are “owned” in the name of or “held in trust” by a board if the board doesn't appear to be biased.
- It's the same principle the IRS applies to corporate foundations, which must have “free-standing boards,” separate from the parent corporate board.

# TABLE EXERCISE 1: Creating a Credible Board



# Determine the following answers for your board.

- How many board members do/will you have?
- What skills do you want represented on your board?
- How long will their term in office run?
- Staggered terms?
- What barriers will certain board members pose to your organization?

# Nota bene

Check out information on boards:

- <http://www.raconline.org>

Click on

- New Guides: Rural Health Disparities

[http://ctb.ku.edu/tools/en/sub\\_section\\_main-1156.htm](http://ctb.ku.edu/tools/en/sub_section_main-1156.htm)

Check out

<http://www.hbns.org/getDocument.cfm?documentID=1441>

# Creating Vision and Mission Statements



# Vision Statement

- The ideal outcome of the organization is its vision – where it wants its customers and community to be in the long term.
- As such, it is a grand goal statement.

Citizens Memorial Healthcare Vision Statement: “Be the first choice for customer-focused healthcare to every generation.”

# Mission Statement

- How (the process) the Vision Statement will be achieved.
- A mission statement is like a job description for a nonprofit.

Citizens Memorial Healthcare Mission Statement: “Caring for every generation through exceptional services by leading physicians and a compassionate team.”

# Covered Activities

- As you will see later, one opportunity for diversifying funding streams is social entrepreneurialism.
- IRS rules allow nonprofits to create for-profit businesses, the profit from which feeds the nonprofit.
- The for-profit business must be free-standing – not a division of the nonprofit.
- The for-profit must have its own board.



# Covered Activities (cont.)

- If the for-profit activity is related to the activities identified in the Mission Statement, it constitutes a “covered activity,” meaning no taxes have to be paid on the profit.
- If the for-profit activity is not “covered,” taxes must be paid on the profit.
- An activity must relate to those identified in the Mission Statement to be “covered.”

# Core Mission Values:

- PRIDE
  - Positive
  - Respectful
  - Innovative
  - Dedicated
  - Empowered

# CMH Quality Statement

- Exceeding customer expectation by doing
  - the right thing,
  - the right way,
  - the first time.

# TABLE EXERCISE 2: Vision and Mission Statements



# Creating Vision/Mission Statements

- Remember that these statements will have to be crafted with several constituencies, so the final wording won't fall into your lap today.
  - In five minutes sketch a vision for your organization
  - In another five minutes, sketch a mission for your organization.
- These will ultimately have to be approved by your organization's board.

# Identifying Stakeholders and Potential Partners



# Stakeholders

- Public groups and individuals who have an interest in your organization's success in achieving its mission.
  - Board members
  - Donors
  - Volunteers
  - Community leaders
  - Customers
  - Referral sources
  - Governments and units of government

# Potential Partners

- Similar agencies
- Agencies also working in your target and disparate populations
- Allied agencies
- Interested agencies



# ***Other Tools***

- **Community Tool Box**



- A one-stop web-page for a variety of community building related topics. Over 3,000 downloadable pages. Visit:

**<http://ctb.ku.edu/>**

# TABLE EXERCISE 3:

## Identifying Stakeholders and Potential Partners



# Stakeholders and Partners

- Identify your organization's stakeholders
- Identify potential partners of your organization

# Identifying Populations



# Populations



# Identifying Disparities

Remember that factors related to disparate populations shift from one region to another

Look at

- Federal agency and sub agency sites
- Community Toolbox
- Google it
- Studies and research

# TABLE EXERCISE 4:

## Identifying Populations and the Risks/Protective Factors that Define Them



# Determine the following answers for your organization

- Identify your target population(s)
    - What risks define them? What protective factors?
  - Is there a disparate population?
    - What additional risks define them? What protective factors?
  - Identify the services you wish to deliver to this population
- OR
- Identify the activities in which you wish to involve this population



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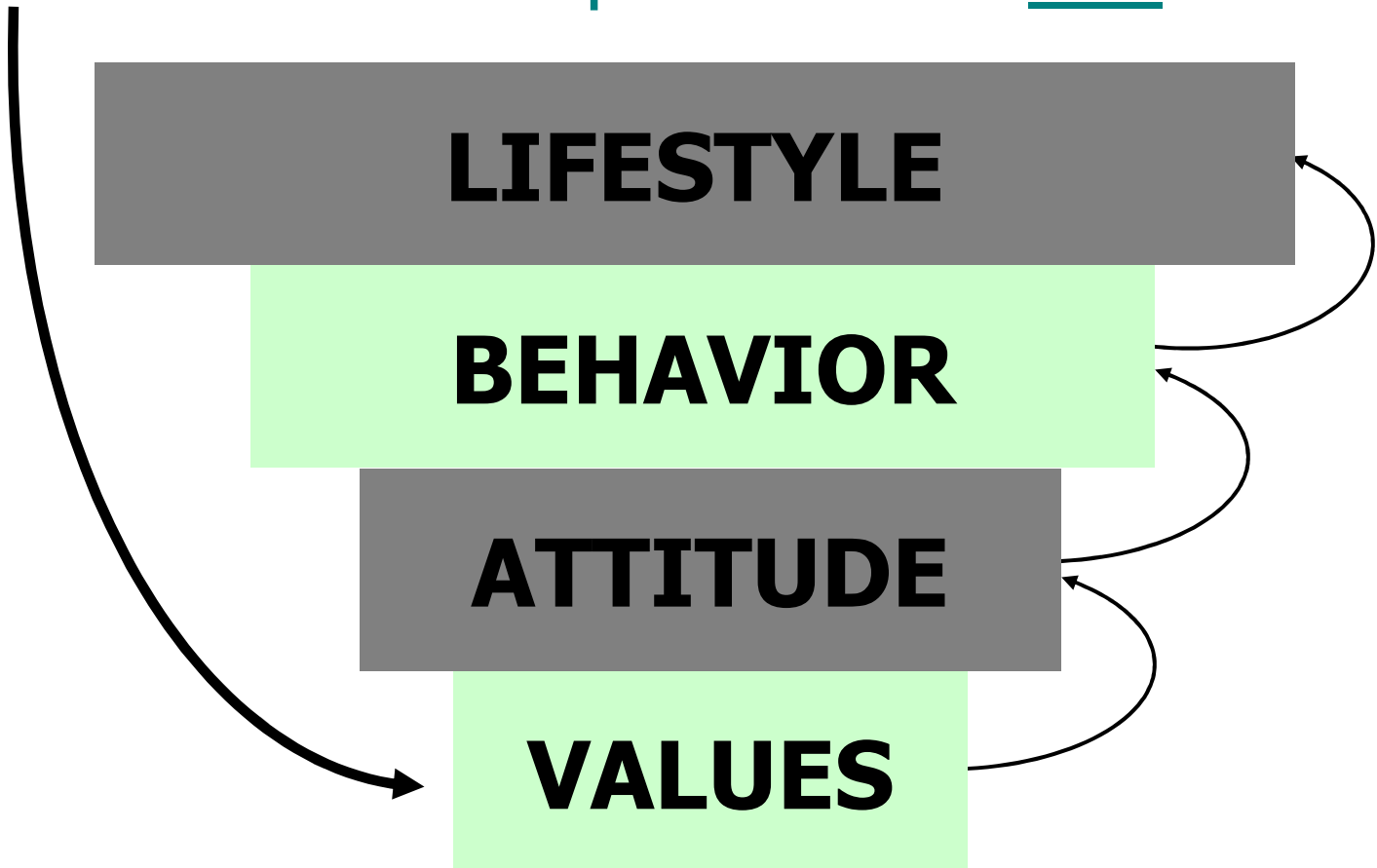
# Organization Answers (cont.)

- What boundaries will you establish for your organization? That is, where do you draw the lines indicating what your organization will not do?
- Failure to establish an organizational focus confuses the public and potential donors and funders.

# Understanding the Values of the Disparate Population



- To achieve the most effective outcomes, an intervention or project should aim to impact values first!



# Values

- There is not such thing as random behavior.
- Values are the bedrock of behavior.
- To change behavior, an organization must
  - Change values
  - Redirect values
  - Substitute one value for another

# Community Toolbox

- Models for Promoting Community Health
- Community Assessment
- Promoting Participation
- Strategic Planning
- Leadership and Group Facilitation
- Designing Community Interventions
- Implementing Community Interventions

# Community Toolbox (cont.)

- Community Building and Cultural Competence
- Organizing for Effective Advocacy
- Evaluating Programs
- Accomplishing & Maintaining Success
- Generating & Managing Resources for an Initiative
- Social Marketing

# Community Toolbox (cont.)

- Quick Tips & Tools
- See a Story or Example
- Learn a Specific Skill
- Link to Other On-line Resources
- Connect with Others About the Work
- See Models & Framework
- Knowledge Base Experience



# TABLE EXERCISE 5:

## Determining the Variables in Lifestyles



# Determine the following answers for your organization

- What is it about your disparate population's lifestyle that puts them at risk?
- What risky behavior has your disparate population adopted?
- What attitudes motivate this risky behavior?
- What values give rise to these attitude?

# Plans



# The Importance of Plans

- Plans are organized, disciplined scripts for organizations
- Plans assure that some goal or outcome can be reached
- Plans make results and products possible
- Plans reduce risks that organizations pose to funders

# A Plan's Appearance

- A plan expressed in a block of prose is not a plan.
- It isn't a plan until it features (a) steps tied to (b) dates.

# Growth Points in a Multi-Year Project/Funding Plan



# Growth Points with Start-up Projects

From a funder: “We need to see plans for how the continuous upgrade and continuous training pieces are integrated into the operating budget of the organization. Most funders that fund the start-up programs want to see the long-term plan for this program being integrated into the organization’s core because we can’t fund core operations or programs in perpetuity. This is not an easy thing to do and I don’t mean to suggest that it is something that can be automatic. But I think that this is an additional piece of thinking that nonprofits have to do and a case they have to make with their own boards around resource allocation. If funders see nonprofits undertaking those tough decisions, then I think we have greater insurance that our investment is well-spent.”

Marc Osteen, Susan Myrland, and Katrin Verclas. “Beyond the Case Statement: Your Grant Proposal.” Tech Soup. August 22, 2003.

# Law of the Physical Universe

- If you aren't growing, developing, and progressing, then you are figuratively or literally stultifying and dying!
  - There is no protection or waiver from the operation of this universal law.





# Universal Law

“We’ve got years of tradition unmarred by progress.” After reporting this observation of a VP of a failing Fortune 500 Company, Oren Harari, author of *The Leadership Secrets of Colin Powell*, pointed out that more than half of the 1980 Fortune 500 companies no longer exist. “They were big, dominant, and resource rich - and they couldn’t adapt.”

“You can’t just sit there and not grow. That is not American business.”

Elizabeth Demarse, President and CEO, Bankrate Inc.

# Growth Points

- To be really competitive, an organization's or collaboration's planning must focus on the concept of "growth points."
- Growth points are leaps, not spurts, but several spurts might collectively constitute a leap.
- Upon realizing a growth point, an organization becomes something it was not before.
- Determining your organization's or project's growth points will allow you to make your case articulately.

# Growth Points

- Initial problems, threats, challenges to an organization require a response.
- The response converts the problems, threats and challenges to achievements.
- The conversion to achievement builds capacity.
- All things being equal, an organization does not regress after having achieved a growth point.

# Multi-Year Project Plan

## Jennings Community Home Development Project

### Year 1

<b>Project/Intervention</b>	<b>Funding Type</b>	<b>Funder</b>
Plan/create developer incentive plan	Mini-grant-Econ. Dev. or Com. Dev. OR In-Kind	Unit of local gov, local foundation, or university
Conduct Developer Workshops	In-Kind	Restaurants, grocery stores, schools
Initial Interest Meeting	In-Kind	Restaurants, grocery stores, schools
4 Community Meetings	In-Kind	Restaurants, grocery stores, schools
Homeowner Education <ul style="list-style-type: none"> <li>•Credit Counseling</li> <li>•Job Training</li> <li>•Continuing Ed.</li> </ul>	In-Kind (partner or sponsor)	US Bank, Realtors' Assoc., Beyond Housing

# Multi-Year Project Plan

## Jennings Community Home Development Project

### Year 2

Project/Intervention	Funding Type	Funder
Developer Workshops Continued	In-Kind	Unit of government, local foundation, or university
Homeowner Education Workshop Series Financial Literacy •Types of Loans and financial assistance •Working with realtors	In-Kind (partner or sponsor)	US Bank, Realtors' Assoc., Beyond Housing, American Express, A.G. Edwards

**Multi-Year Project Plan**  
**Jennings Community Home Development Project**  
**Year 3**

<b>Project/Intervention</b>	<b>Funding Type</b>	<b>Funder</b>
Home Management Workshops	In-Kind (partner or sponsor)	Beyond Housing

# Ramping Up the Power of Interventions: Science-based Projects to Reduce Risks to Funders



# Science-based Interventions

- SB interventions and projects have been tested multiple times.
- SB interventions and projects have been shown to make the changes necessary to achieve stipulated outcomes.
- Best Practices operate in the same fashion: they have been demonstrated to produce desired results, but they haven't been tested with "scientific rigor."



# S-B Web Sites

- [www.apha.org/programs/disiparitiesdb](http://www.apha.org/programs/disiparitiesdb)
  - Project/interventions database
- [www.cherp.research.med.va.gov/primer.php](http://www.cherp.research.med.va.gov/primer.php)
  - Center for Health Equity Research & Promotion
- <http://ncmhd.nih.gov/>
  - National Center on Minority Health & Health Disparities
- [www.samhsa.gov/SAMHSA\\_News/VolumeXI\\_1/article6\\_1.htm](http://www.samhsa.gov/SAMHSA_News/VolumeXI_1/article6_1.htm)
  - Article on SB interventions

# Criteria for a Best Practice

- It produces superior results – 25% or higher results than the normal output.
- New or innovative use of manpower or technology.
- Recognized by at least 3 or more public domain sources as a best practice.
- Received an external award for this practice.

# Best Practice Criteria (cont.)

- Recognized by customers or suppliers as a best practice.
- Recognized by an industry expert.
- Organizations utilizing it hold a patent on it.
- Leads to exceptional performance.

# Best Practices Example

Springfield ReManufacturing Corporation (SRC) in Springfield, MO.

- Believing every employee is responsible for a company's success, SRC's management team trained every employee in cash flow management. As a result, the company has generated double-digit growth every year since its founding 12 years ago.

# Springfield ReManufacturing Corporation (SRC) in Springfield, MO.

- SRC has grown from one company of 100 employees to 12 employee-owned companies in 16 sites with 750 employees.
- Named the “Entrepreneurial Company of the Year” by *Inc.* magazine for the last 3 years. The current turnover rate is less than 1%.

# Ramping Up the Appeal of Projects to Funders

- The day of one-shot projects and interventions is long gone.
- Comprehensive projects are favored by funders because their reach and effect is greater.
- Ideally, an organization's think-tank creates "multiple use" interventions and projects.

# COPS: Quadruple Use

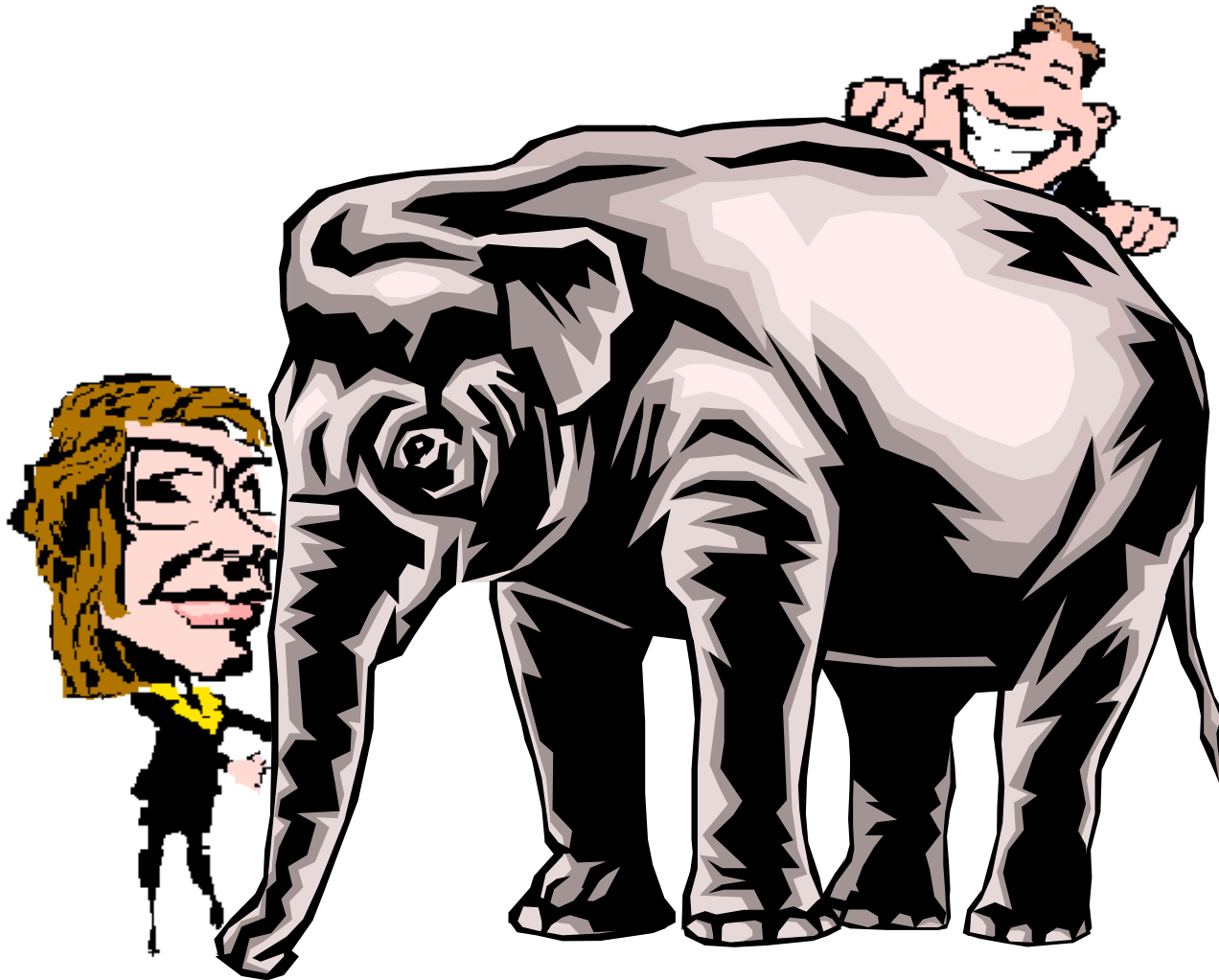
- Seniors lacking physical activity
- Children unsupervised while walking to school
- Parents tardy to work
- Employers suffering lowered productivity,  
which means lowered profit

# Funders' Universe and Funding Streams in Funding Plans





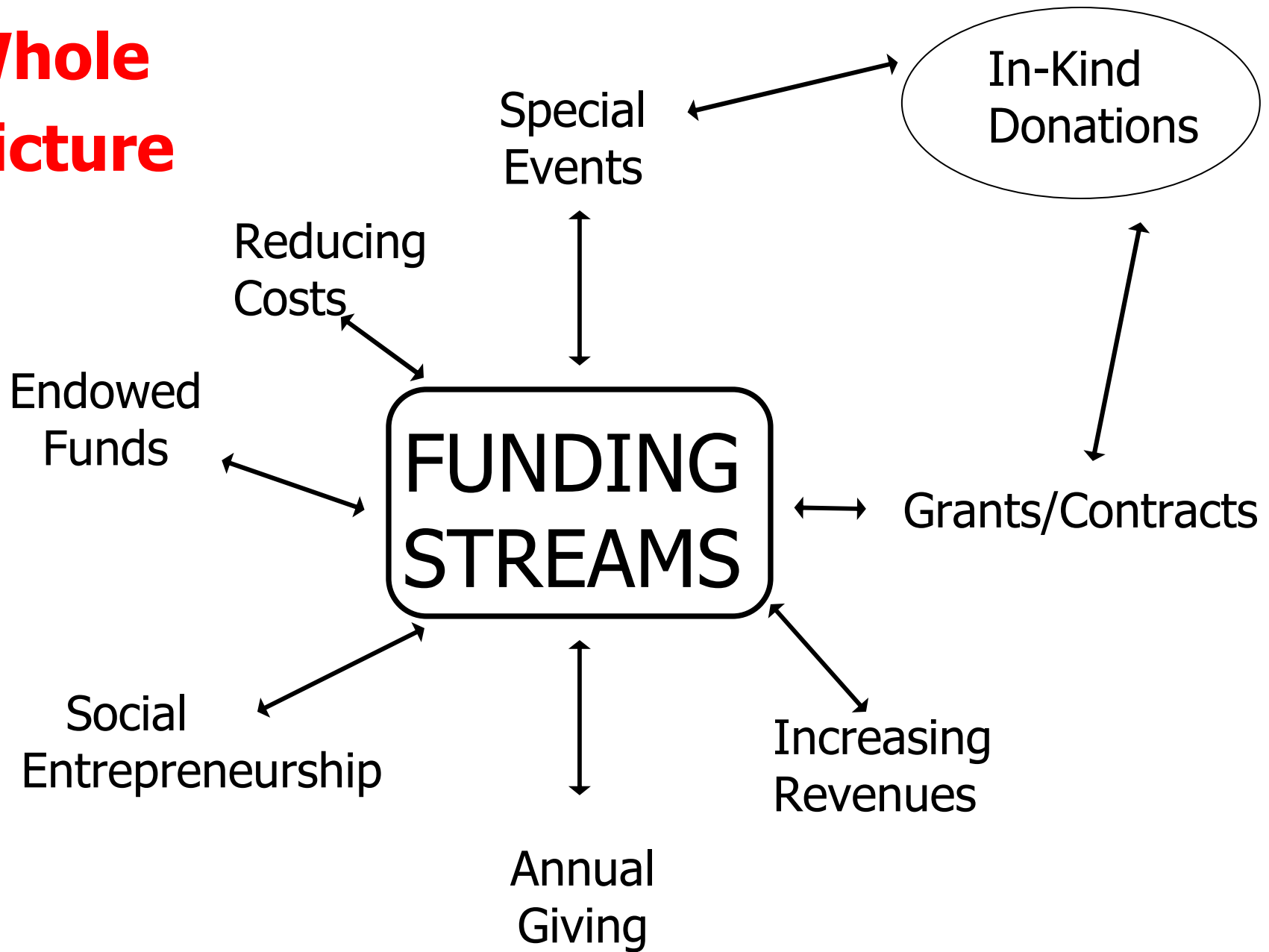
# Seeing the Whole Picture



# *Funders Universe*



# Whole Picture



# In-Kind Donations

- In-kind donations are anything of value **other than cash**. So your employees' time not reimbursed out of grant proceeds constitutes an in-kind contribution on your part unless you are charging that against the indirect rate. For instance, maintaining an EMR is usually an in-kind contribution in CMH grants.

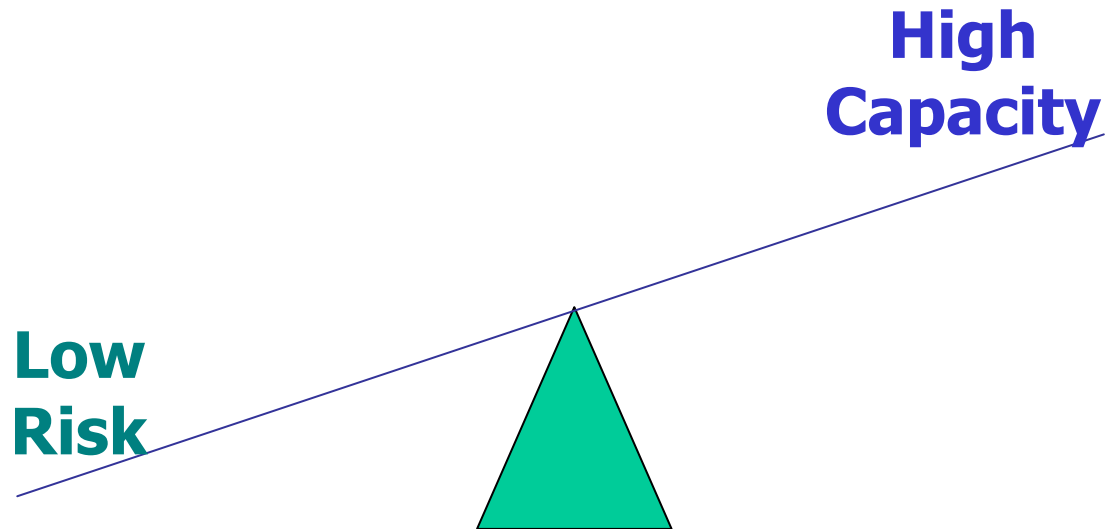
# New Competitive Dynamics Reflecting ROI

Capacity-Building

to

Reduce Risk

# ***Low-risk, High-capacity Organization***



# Capacity = Capability

- **Any increase in**
  - knowledge,
  - skills,
  - experience,
  - infrastructure,
  - collaboration or partnership
  - donations, grant awards
  - audits, performance
  - evaluations
- **In the areas of**
  - structure,
  - staff,
  - board,
  - planning,
  - goals,
  - customers,
  - & community.

# Capacity-Building Mentality

- Goal/planning/outcomes orientation
- Focus on growth points
- As capacity increases, productivity and resources (including funding) increase – if an organization is wise enough to leverage gains
- Movement toward sustainability
- Lowering or removing barriers





# Funding Plan Structure

- A sound funding plan offers a diversified mix of funders to respond to all eventualities.
  - Local funders
  - Regional/State funders
  - National funders
  - Potential funders
  - “Wolf-at-the-Door” funders
  - Match funders
  - Endowment funders



# Funders by Type of Funding

- Operating funding
- Program development
- Seed money
- Continuing Support
- In-kind gifts
- Matching funds
- Endowment

# Youth-Issue Funders

- Substance Abuse Funders
- Adolescent Health Issues
- Youth Services
- Community Development
- Health Associations
- Youth Development
- Youth-at-Risk
- Violence Prevention
- School Health

\*These are descriptors used to locate information in funding databases.



# Funders by Type of Funding

- Operating funding
- Program development
- Seed money
- Continuing Support
- In-kind gifts
- Matching funds
- Endowment

# TABLE EXERCISE 6: Three-Year Project Plan



# Three-Year Project Plan

- Identify an issue to be addressed
- Take 45 minutes to sketch a 3-year project plan for your customers.

# Multi-Year Project Plan

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Year 1

Project/Intervention	Funding Type	Funder

# Multi-Year Project Plan

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Year 2

Project/Intervention	Funding Type	Funder



# Multi-Year Project Plan

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Year 3

Project/Intervention	Funding Type	Funder

# Needs



# Determining Needs

- You have just determined your project and funding requirements.
- Study your multi-year project plan to determine what other needs your customers or you have beyond funding.
- Make a list below.

# A taste of funding research



# Categories of Funders

- Public Funders
  - Federal, state, and local governmental entities
- Private Funders
  - Foundations
  - Corporate Philanthropic Offices
  - Local businesses

# Foundations

- Funds are invested.
- When a corporation creates a foundation, it gives up control of those funds.
- Foundations are more law- and rule-bound.
- By June 30 in any year foundations must disburse 5% of the earnings from the previous year's invested funds or face loss of their tax-exempt status
- The IRS receives 1% of the earnings.

# Corporate Philanthropies

- The funds derive from a corporation's annual budget, so awards are usually smaller.
- The corporation controls the funds.
- The corporation wants community benefit and an enhanced image in return for its funds.

## ***CPO (cont.)***

- Most corporations in this category limit funding by geography (operating locations, plant cities) and employees' interests.



“Community programs that don’t work often haven’t sought a mix of public and private funds.”

The Pew Partnership for Civic Change

# **Using the *Foundation Directory* - Efficient order for screening potential funders**

- Limitations
- Purpose and activities/fields of interest
- Types of support
- Application format
- Application deadline
- Board meeting dates
- Grant distribution range
- Sample grant awards

# Basic Web Research Sites

- Grants.gov
  - <http://www.grants.gov>
- GrantsNet
  - <http://www.hhs.gov/progorg/grantsnet>
- Catalog of Federal Domestic Assistance
  - [www.gsa.gov/fdac](http://www.gsa.gov/fdac)
- Community Toolbox
  - <http://ctb.lsi.ukans.edu>
- Federal Commons
  - [www.cfda.gov/federalcommons](http://www.cfda.gov/federalcommons)

- Creative Partnerships for Prevention
  - <http://www.cppprev.org/>
- Federal Register (Easy path)
  - [http://www.access.gpo.gov/su\\_docs/aces/aces140.html](http://www.access.gpo.gov/su_docs/aces/aces140.html)
- NonProfit Gateway
  - [www.nonprofit.gov](http://www.nonprofit.gov)

# Homework



# Homework

- Locate a science-based or best practice intervention to use at our next training.
- Look in the science-based web sites or the Community Toolbox for these.
- You can also check your cognate federal agency web page to find such information and related information (evaluation design, etc.).

# Homework (cont.)

- Start collecting data to establish that the problem you have identified exists and is serious.
- Complete the Growth Points Exercise.